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VILLAGE OF AKRON TUSCOLA COUNTY, MICHIGAN

**FINANCIAL REPORT
MARCH 31, 2008**

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VILLAGE OF AKRON, MICHIGAN

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VILLAGE OF AKRON, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

August 25, 2008

To the Honorable Village Council
Village of Akron
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Akron, Akron, Michigan as of March 31, 2008, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Akron's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Akron as of March 31, 2008, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as noted in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Village of Akron presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2008. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follows this section.

Financial Highlights

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,197,894.
- Net assets increased by a total of \$37,468 or by approximately 1.73% of last years total net assets of \$2,160,426.
- The fund balance of the Village's General Fund increased by \$256. The fund balance for the other Governmental Funds (Major Street, Local Street, Police, and Fire Funds) increased by \$32,973.

Financial Statements Overview

This Management Discussion and Analysis serves to introduce to the reader of the Village of Akron's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The Statement of Net Assets presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The Statement of Activities show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

The Government-wide Financial Statements, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

Governmental activities for the Village of Akron include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Local Street Improvement, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer and Water systems.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Akron uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

Governmental Funds account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balance show reconciliation between the Governmental Funds statements to the Governmental Activities in the Government-wide statements.

The Village of Akron uses five different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Akron. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds include enterprise funds and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Funds maintained by the Village of Akron include the Sewer fund and the Water fund. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Funds are included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicle that support the Village functions, is included under the Governmental Activities column.

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer fund and Water fund which are considered to be major funds of the Village of Akron.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

Other Information

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

Government-wide Financial Analysis

VILLAGE OF AKRON'S NET ASSETS

	Governmental Activities		Business Type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$736,722	\$682,448	\$ 190,675	\$ 175,731	\$ 927,397	\$ 858,179
Capital assets	127,993	119,338	1,132,880	1,185,394	1,260,873	1,304,730
Restricted and other assets			70,464	67,009	70,464	67,009
Total assets	<u>\$864,715</u>	<u>\$801,784</u>	<u>\$1,394,019</u>	<u>\$1,428,133</u>	<u>\$2,258,734</u>	<u>\$2,229,918</u>
Current liabilities	\$ 7,840	\$ 9,671	\$ 12,185	\$ 11,710	\$ 20,025	\$ 21,381
Noncurrent liabilities			40,816	48,110	40,816	48,110
Total liabilities	<u>7,840</u>	<u>9,671</u>	<u>53,000</u>	<u>59,820</u>	<u>60,840</u>	<u>69,491</u>
Net assets:						
Invested in capital assets, net of related debt	127,993	119,338	1,083,927	1,129,318	1,211,920	1,248,654
Restricted			70,464	67,009	70,464	67,009
Unrestricted	<u>728,882</u>	<u>672,777</u>	<u>186,629</u>	<u>171,988</u>	<u>915,511</u>	<u>844,763</u>
Total net assets	<u>\$856,875</u>	<u>\$792,113</u>	<u>\$1,341,019</u>	<u>\$1,368,313</u>	<u>\$2,197,894</u>	<u>\$2,160,425</u>

As shown in the Statement of Net Assets, the largest portion, by far, of the Net Assets of the Village of Akron is its investment in capital assets. The Village of Akron uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

Activities, Governmental and Business-Type

Net assets of Governmental Activities increased by \$64,762 for the year ended March 31, 2008. This is approximately a 8.17% change from beginning net assets. The increase is due in large by less spending in the governmental funds.

Net assets of Business-type Activities decreased by \$27,294 for the year ended March 31, 2008. The amount of change is approximately 1.99% of beginning net assets.

VILLAGE OF AKRON'S CHANGES IN NET ASSETS

The following table shows the changes of the net assets, for the year ended March 31, 2007 and 2008:

	Governmental Activities		Business Type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues						
Charges for service	\$108,098	\$116,203	\$ 63,376	\$ 66,263	\$ 171,474	\$ 182,466
General revenues						
Property taxes	73,645	72,112	13,548	13,266	87,193	85,378
State shared revenue	98,076	98,087			98,076	98,087
Unrestricted investment earnings	23,898	22,550	8,791	8,302	32,487	30,852
Miscellaneous	<u>32,672</u>	<u>41,159</u>	<u>1,370</u>	<u>1,703</u>	<u>34,042</u>	<u>42,862</u>
Total revenue	<u>338,186</u>	<u>350,110</u>	<u>87,084</u>	<u>89,635</u>	<u>423,272</u>	<u>439,645</u>
Expenses:						
General government	45,935	51,795			45,935	51,795
Public safety	119,088	104,392			119,088	104,392
Highways and public improvements	85,877	73,870			85,577	73,870
Sanitation	20,825	20,765			20,825	20,765
Sewer			67,590	67,448	67,590	67,448
Water			<u>46,789</u>	<u>41,734</u>	<u>46,789</u>	<u>41,734</u>
Total Expenses	<u>271,424</u>	<u>250,822</u>	<u>114,379</u>	<u>109,182</u>	<u>385,803</u>	<u>380,005</u>
Change in net assets	<u>64,762</u>	<u>99,288</u>	<u>(27,294)</u>	<u>(19,647)</u>	<u>37,468</u>	<u>79,640</u>
Net assets – Beginning	792,113	692,825	1,368,313	1,387,960	2,160,426	2,080,785
Prior period adjustment						
Net assets - Ending	<u>\$856,875</u>	<u>\$792,113</u>	<u>\$1,341,019</u>	<u>\$1,368,313</u>	<u>\$2,197,894</u>	<u>\$2,160,425</u>

Financial Analysis of Village of Akron's Funds

The Village of Akron's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2008.

For the year ended March 31, 2008, the Village's governmental funds reported a combined fund balance amount of \$645,228. The fund balance increase for the current fiscal year was \$33,228.

General Fund Budgetary Highlights

A major difference in the original budget versus the final budget was in parks and public works. It was increased by \$7,951 and \$5,495 respectively. The Village anticipated expenditures to exceed revenue by \$68,931 however actual figures ended up with a surplus of \$256.

Capital Assets

The Village of Akron's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$1,211,920. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, water system and sewer collection system. The Village's investment in capital assets equals over fifty-five percent (55%) of total net assets. Additions this year included some fire equipment and paving the village hall parking lot.

(Continued)

VILLAGE OF AKRON'S CAPITAL ASSETS

March 31, 2008

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Land	\$ 2,000	\$ 83,034	\$ 85,034
Buildings	123,933		123,933
Equipment	548,169		548,169
Infrastructure	31,150		31,150
Sewer system		1,847,988	1,847,988
Water system		466,617	466,617
Accumulated depreciation	(577,259)	(1,264,759)	(1,842,018)
Net book value	<u>\$127,993</u>	<u>\$1,132,880</u>	<u>\$1,260,873</u>

Long-term Debt

The Village of Akron's debt consists of a note payable to help finance construction of a new well due November 1, 2013 in the amount of \$48,110.

Economic Factors and Future Budget Issues

For the past several years the Village revenues have remained nearly the same or decreased; while most of the expenses have increased. The Village continues to have property changes but with little change in property values. The Village also relies on 30 to 40% of its General Fund revenue from state revenue sharing from the State of Michigan. With the state making budget cuts to revenue sharing it makes it difficult to stay within the adopted budget without having to make budgetary amendments.

The Village is constantly looking at ways to improve the service to the residents of the Village while staying within the parameters of the adopted budget.

The sanitary sewer fund is improving its monetary status. However, this year, we had to make some minor improvements to the system. The Village may have to look again at raising sewer rates in order to do some major repairs that are going to be needed in the near future.

Requests for Information

This financial report is designed to give the reader a basic understanding of the Village of Akron's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Akron, 4380 Beach Street, Akron, Michigan 48701.

BASIC FINANCIAL STATEMENTS

VILLAGE OF AKRON, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash	\$ 727,374	\$ 165,594	\$ 892,969
Accounts receivable	25,905	15,684	41,589
Less allowance for doubtful accounts	(7,160)		(7,160)
Internal balances	(9,397)	9,397	-
Nondepreciated capital assets	2,000	83,034	85,034
Capital assets	703,252	2,314,605	3,017,857
Less accumulated depreciation	(577,259)	(1,264,759)	(1,842,018)
Restricted assets:			
Cash - Capital improvements		70,464	70,464
TOTAL ASSETS	\$ 864,715	\$ 1,394,019	\$ 2,258,734
<u>LIABILITIES</u>			
Accounts payable	\$ 7,840	\$ 4,046	\$ 11,887
Accrued interest payable		844	844
Note payable - water well		48,110	48,110
Total liabilities	7,840	53,000	60,840
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	127,993	1,083,927	1,211,920
Restricted for:			
Capital improvements		70,464	70,464
Unrestricted	728,882	186,629	915,511
Total net assets	\$ 856,875	\$ 1,341,019	\$ 2,197,894

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF AKRON, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE & CHANGES IN NET ASSETS</u>		
			<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
<u>Governmental activities</u>							
General government	\$ 45,935				\$ (45,935)		\$ (45,935)
Public safety	119,088	\$ 83,448			(35,640)		(35,640)
Highways and public improvements	85,577				(85,577)		(85,577)
Sanitation	<u>20,825</u>	<u>24,650</u>			<u>3,825</u>		<u>3,825</u>
Total governmental activities	<u>271,424</u>	<u>108,098</u>	<u>-</u>	<u>-</u>	<u>(163,326)</u>		<u>(163,326)</u>
<u>Business Type Activities</u>							
Water	46,789	38,177				\$ (8,612)	(8,612)
Sewer	<u>67,590</u>	<u>25,199</u>				<u>(42,390)</u>	<u>(42,390)</u>
Total business-type activities	<u>114,379</u>	<u>63,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,002)</u>	<u>(51,002)</u>
Total Government	<u>\$ 385,803</u>	<u>\$ 171,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(163,326)</u>	<u>(51,002)</u>	<u>(214,328)</u>
General Revenue:							
Property taxes					73,645	13,548	87,193
State shared revenues					98,076		98,076
Unrestricted investment earnings					23,698	8,791	32,488
Miscellaneous					32,672	1,370	34,041
Total general revenues					<u>228,088</u>	<u>23,708</u>	<u>251,797</u>
Change in net assets					<u>64,762</u>	<u>(27,294)</u>	<u>37,468</u>
Net assets - beginning					792,113	1,368,313	2,160,426
Net assets - ending					<u>\$ 856,875</u>	<u>\$ 1,341,019</u>	<u>\$ 2,197,894</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE</u>	<u>FIRE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash	\$ 122,950	\$ 298,298	\$ 136,178	\$ 16,297	\$ 60,453	\$ 634,176
Accounts receivable	11,871	5,185	1,689		7,160	25,905
Less: Allowance for doubtful accounts					(7,160)	(7,160)
TOTAL ASSETS	<u>\$ 134,821</u>	<u>\$ 303,483</u>	<u>\$ 137,867</u>	<u>\$ 16,297</u>	<u>\$ 60,453</u>	<u>\$ 652,920</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts payable	\$ 4,297	\$ 23	\$ 13	\$ 2,653	\$ 705	\$ 7,691
Total liabilities	<u>4,297</u>	<u>23</u>	<u>13</u>	<u>2,653</u>	<u>705</u>	<u>7,691</u>
Fund equity:						
Fund balance						
Unrestricted	<u>130,523</u>	<u>\$ 303,459</u>	<u>\$ 137,854</u>	<u>13,644</u>	<u>59,748</u>	<u>645,228</u>
Total fund equity	<u>130,523</u>	<u>303,459</u>	<u>137,854</u>	<u>13,644</u>	<u>59,748</u>	<u>645,228</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 134,821</u>	<u>\$ 303,483</u>	<u>\$ 137,867</u>	<u>\$ 16,297</u>	<u>\$ 60,453</u>	<u>\$ 652,920</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2008**

Total governmental fund balances	\$ 645,228
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$705,252 less the accumulated depreciation of \$577,259	127,993
Internal service fund is not included in the governmental funds.	83,654
Net assets - governmental activities	<u>\$ 856,875</u>

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE</u>	<u>FIRE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:						
Taxes	\$ 73,845					\$ 73,845
Intergovernmental	49,777	\$ 35,828	\$ 12,671			98,076
Charges for services	24,650					24,650
Protection				\$ 36,923	\$ 46,525	83,448
Miscellaneous	29,585	10,921	4,946	5,498	3,202	54,152
TOTAL REVENUE	<u>177,657</u>	<u>46,549</u>	<u>17,617</u>	<u>42,422</u>	<u>49,727</u>	<u>333,971</u>
EXPENDITURES:						
Election	790					790
Administration	30,531					30,531
Streets		14,560	11,981			26,541
Buildings and grounds	11,492					11,492
Public safety	30,315			38,997	57,803	127,116
Public works	52,532					52,532
Park department	30,020					30,020
Sanitation	20,825					20,825
Capital outlay	895					895
TOTAL EXPENDITURES	<u>177,400</u>	<u>14,560</u>	<u>11,981</u>	<u>38,997</u>	<u>57,803</u>	<u>300,742</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>256</u>	<u>31,988</u>	<u>5,636</u>	<u>3,425</u>	<u>(8,077)</u>	<u>33,229</u>
OTHER FINANCING SOURCES (USES):						
Operating transfer in			7,349			7,349
Operating transfer out		(7,349)				(7,349)
TOTAL OTHER FINANCING SOURCES (USES)		<u>(7,349)</u>	<u>7,349</u>			<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>256</u>	<u>24,639</u>	<u>12,986</u>	<u>3,425</u>	<u>(8,077)</u>	<u>33,229</u>
FUND BALANCE - APRIL 1	130,267	278,820	124,868	10,219	67,825	611,999
FUND BALANCE - MARCH 31	<u>\$ 130,523</u>	<u>\$ 303,459</u>	<u>\$ 137,854</u>	<u>\$ 13,644</u>	<u>\$ 59,748</u>	<u>\$ 645,228</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

Net change in fund balances - governmental funds **\$ 33,229**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, assets with an initial individual cost of more than
\$1,000 are capitalized and the cost is allocated over their estimated useful
lives and reported as depreciation expense. This is the amount by which
depreciation exceeded capital outlays in the current period.

Capital outlays	40,503	
Depreciation expense	<u>(24,083)</u>	16,420

The net revenue (loss) of certain activities of internal service fund is reported
with governmental activities. **15,113**

Change in net assets of governmental activities **\$ 64,762**

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2008**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
<u>ASSETS</u>				
Current assets:				
Cash	\$ 13,494	\$ 152,100	\$ 165,594	\$ 93,200
Accounts receivable	<u>6,528</u>	<u>9,158</u>	<u>15,684</u>	
Total current assets	20,023	161,258	181,278	93,200
Noncurrent:				
Capital assets	1,929,754	467,885	2,397,639	114,211
Less accumulated depreciation	<u>(998,843)</u>	<u>(265,916)</u>	<u>(1,264,759)</u>	<u>(95,283)</u>
Total noncurrent assets	930,911	201,969	1,132,880	18,928
Other assets:				
Cash-Capital improvements	70,464		70,464	
TOTAL ASSETS	<u>\$ 1,021,398</u>	<u>\$ 363,225</u>	<u>\$ 1,384,623</u>	<u>\$ 112,128</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 2,824	\$ 1,222	\$ 4,046	\$ 149
Current portion of loan		7,295	7,295	
Accrued interest payable		<u>844</u>	<u>844</u>	
Total current	2,824	9,361	12,185	149
Noncurrent:				
Loan payable		40,815	40,815	
Total liabilities	<u>2,824</u>	<u>50,176</u>	<u>53,000</u>	<u>149</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	930,911	153,016	1,083,927	\$ 18,928
Restricted for:				
Capital improvements	70,464		70,464	
Unrestricted	<u>17,199</u>	<u>160,032</u>	<u>177,231</u>	<u>93,051</u>
Total net assets	<u>\$ 1,018,574</u>	<u>\$ 313,048</u>	<u>1,331,622</u>	<u>\$ 111,979</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			9,397	
Net assets of business-type activities			<u>\$ 1,341,019</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTALS	
OPERATING REVENUE:				
Charges for services	\$ 25,747	\$ 38,998	\$ 64,746	\$ 44,147
Property taxes		13,548	13,548	
TOTAL OPERATING REVENUE	<u>25,747</u>	<u>52,547</u>	<u>78,294</u>	<u>44,147</u>
OPERATING EXPENSES:				
Salaries	8,093	7,870	15,963	4,781
Employee benefits	2,525	2,530	5,055	1,588
Office supplies	508	1,502	2,010	-
Operating supplies	182	1,517	1,699	4,600
Administrative fee		982	982	1,324
Contracted services	1,170	2,507	3,677	2,820
Professional fees	1,809	1,846	3,455	824
Insurance	-	331	331	1,984
Utilities	3,042	7,885	10,727	
Repairs and maintenance	500	14	514	2,162
Operations board expense	9,400		9,400	
Equipment rental	3,840	5,580	9,221	
Depreciation	38,064	14,450	52,514	7,763
TOTAL OPERATING EXPENSES	<u>68,934</u>	<u>48,815</u>	<u>115,548</u>	<u>27,845</u>
OPERATING INCOME (LOSS)	<u>(43,187)</u>	<u>5,933</u>	<u>(37,254)</u>	<u>16,302</u>
NONOPERATING REVENUE (EXPENSES):				
Interest on investments	3,867	4,823	8,791	2,215
Interest expense		(2,235)	(2,235)	
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>3,867</u>	<u>2,888</u>	<u>6,555</u>	<u>2,215</u>
CHANGE IN NET ASSETS	<u>(39,319)</u>	<u>8,620</u>	<u>(30,699)</u>	<u>18,518</u>
TOTAL NET ASSETS - BEGINNING	1,057,893	304,428		93,461
TOTAL NET ASSETS - ENDING	<u>\$ 1,018,574</u>	<u>\$ 313,048</u>		<u>\$ 111,979</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			<u>3,405</u>	
Changes in net assets of business-type activities			<u>\$ (27,294)</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 26,388	\$ 39,933	\$ 66,321	
Property taxes collected		13,548	13,548	
Receipts from interfund services				\$ 44,147
Payments to suppliers of goods and services	(16,812)	(15,683)	(32,495)	(13,545)
Payments to Interfund services	(3,640)	(5,580)	(9,221)	
Payments to employees	(8,093)	(7,870)	(15,963)	(4,791)
Payments for fringe benefits	(2,525)	(2,530)	(5,055)	(1,596)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(4,682)</u>	<u>21,818</u>	<u>17,136</u>	<u>24,214</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on note		(6,999)	(6,999)	
Interest paid on note		(2,359)	(2,359)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(9,358)</u>	<u>(9,358)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	3,867	5,247	9,115	2,216
NET INCREASE (DECREASE) IN CASH	<u>(815)</u>	<u>17,708</u>	<u>16,893</u>	<u>26,430</u>
CASH AND RESTRICTED CASH - APRIL 1	84,773	134,392	219,165	66,770
CASH AND RESTRICTED CASH - MARCH 31	<u>\$ 83,958</u>	<u>\$ 152,100</u>	<u>\$ 236,058</u>	<u>\$ 93,200</u>
Cash Reconciliation:				
Cash in bank	\$ 13,494	\$ 152,100	\$ 165,594	\$ 93,200
Restricted cash-Capital Improvements	70,464		70,464	
Total	<u>\$ 83,958</u>	<u>\$ 152,100</u>	<u>\$ 236,058</u>	<u>\$ 93,200</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (43,187)	\$ 5,933	\$ (37,254)	\$ 16,302
Adjustments to reconcile operating income (loss) to net cash provided by operating activities-				
Depreciation	38,064	14,450	52,514	7,763
Change in assets and liabilities:				
Decrease (Increase) in accounts receivable	641	934	1,575	
(Decrease) Increase in accounts payable	(200)	501	301	149
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (4,682)</u>	<u>\$ 21,818</u>	<u>\$ 17,136</u>	<u>\$ 24,214</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14 pronouncement. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Akron-Fairgrove School District - This potential component unit has a separate elected board and provides services to local residents of the Akron and Fairgrove, Michigan area. The Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Board of Operations Akron-Fairgrove Wastewater - The Village of Akron and the Village of Fairgrove jointly appoint the board members of the Board of Operations. The Board of Operations is a separate reporting entity with a separate financial statement issued annually. Although the Board of Operations is not considered a component unit, it is considered a jointly governed organization by the Village of Akron and the Village of Fairgrove. The Board operates a raw sewage treatment facility (lagoon) for the Village of Akron and the Village of Fairgrove. The Board of Operations generates revenue by monthly user fees based on gallons pumped by the two Villages. The Village of Akron user fees amounted to \$9,400 the fiscal year ended March 31, 2008. The Villages do not have the ability to exercise influence or control over its daily operations. The related party payable for the fiscal year ended March 31, 2008 is \$2,350 and is included in the Sewer Funds Accounts Payable.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village sewer system and water system are classified as business-type activities.

VILLAGE OF AKRON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government Wide and Fund Financial Statements: (Continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from state revenue sharing. The Fire Fund is a special revenue fund used to account for revenue from charges for service for fire protection. The Police Fund is a special revenue fund used to account for revenue from charges for service for police protection.

The Village reports the following major proprietary funds:

Enterprise Funds - The Sewer Fund is used to account for the sewer operations in the Village and the Water Fund provides water to residents of the Village.

Additionally, the Village reports the following nonmajor fund type:

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31 the budget is legally enacted through passage of a resolution.
4. The Village Clerk presents a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year. Budget amendments are approved at monthly council meetings. The Village Council did approve amendments to the adopted budget for the fiscal year ended March 31, 2008.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the Major Funds are presented as Required Supplemental Information.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposits.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2008 consist of billings for user charged services, including utility services.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 1. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes).

VILLAGE OF AKRON, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50
Office equipment	5 to 7
Machinery and equipment	5 to 7
Vehicles	5
Improvements other than buildings	15 to 20
Sewer collection and water system	10 to 50

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2008, was \$31,846. Capital asset acquisitions in the governmental funds totaled \$40,503 for the year ended March 31, 2008. A summary of Governmental Fund Capital assets at March 31, 2008, follows:

	<u>March 31,</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 2,000	\$ 2,000
Buildings	123,933	123,933
Equipment	433,958	407,955
Infrastructure	31,150	16,650
Internal Service Fund assets	114,211	114,211
Total capital assets	705,252	664,749
Less accumulated depreciation	(577,259)	(545,413)
Net Governmental Fund Capital Assets	\$ 127,993	\$ 119,336

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2008, was \$52,514. There were no capital asset acquisitions or disposals in the business-type funds for the year ended March 31, 2008. A summary of Business-Type Fund capital assets at March 31, 2008, follows:

	March 31,	
	<u>2008</u>	<u>2007</u>
Land	\$ 83,034	\$ 83,034
Water system	466,617	466,617
Sewer system	<u>1,847,988</u>	<u>1,847,988</u>
Total capital assets	2,397,639	2,397,639
Less accumulated depreciation	<u>(1,264,759)</u>	<u>(1,212,245)</u>
Net Business Type Capital Assets	\$ <u>1,132,880</u>	\$ <u>1,185,394</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 2,922
Public safety	17,975
Highways and public improvement	3,186
Equipment rental service	7,763
Total depreciation expense - governmental activities	<u>\$31,846</u>
Business-type activities:	
Utility service	<u>\$52,514</u>

Long-term Debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

The Village of Akron employees are allowed to accumulate a maximum of sixty days of sick leave. In the event of death, termination of employment or retirement of an employee, sick leave accumulation is paid to the employee at one-half his current rate of pay. There is no accumulation of unused vacation days allowed. The compensated absences accrual for the year ended March 31, 2008 is insignificant and not reported in governmental funds or government-wide statements.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CASH DEPOSITS:

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 8168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Akron. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The carrying amount of cash and deposits with financial institutions of the Village of Akron amounted to \$963,433 at March 31, 2008. Of the deposits, \$70,464 is restricted for capital improvements. The total bank balance as of the same date was \$966,647. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$200,000
Amount insured by the NCUA	70,464
Uncollateralized/uninsured	<u>696,183</u>
Total deposits with financial institutions	<u>\$966,647</u>

All deposits categorized as uncollateralized are the property of the Village of Akron.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2008.

VILLAGE OF AKRON, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 3 – LONG-TERM DEBT:

The Village of Akron drilled and tested a new water well. To help finance the project the Village obtained a loan from Chemical Bank. Following is a payment schedule and the terms of the note.

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 7,295	\$2,083	\$ 9,358
2010	7,611	1,747	9,358
2011	7,937	1,421	9,358
2012	8,277	1,081	9,358
2013	8,629	729	9,358
2014	8,361	357	8,718
	<u>\$48,110</u>	<u>\$7,398</u>	<u>\$55,508</u>

Payment of the note is due in annual installments of \$9,358 including interest of 4.24% per annum. The note matures on November 1, 2013.

NOTE 4 – INTERFUND TRANSFERS:

Transfers were made between funds to subsidize operations. Interfund transfers reported in the fund statements are as follows:

	<u>Operating Transfer In</u>		<u>Operating Transfer Out</u>
Local Street	\$ 7,349	Major Street	\$ 7,349

NOTE 5 - CONTINGENT LIABILITY:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 6 - RISK MANAGEMENT:

General Liability:

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$907,999 for real and personal property losses and \$2 million for liability losses. Village of Akron is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

VILLAGE OF AKRON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 6 - RISK MANAGEMENT: (CONTINUED)

Worker's Compensation:

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Health Care:

Village of Akron purchased commercial insurance coverage for its employee and dependents.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes:				
Current property taxes	\$ 79,816	\$ 79,816	\$ 73,645	\$ (6,171)
Intergovernmental:				
State revenue sharing	51,486	51,486	49,777	(1,709)
Charges for services:				
Garbage service	28,000	28,000	24,160	(3,840)
Penalties and interest	700	700	490	(210)
Total charges for services	<u>28,700</u>	<u>28,700</u>	<u>24,650</u>	<u>(4,050)</u>
Miscellaneous:				
Interest income	3,400	3,400	2,851	(549)
Miscellaneous	24,300	24,300	26,733	2,433
Total miscellaneous	<u>27,700</u>	<u>27,700</u>	<u>29,585</u>	<u>1,885</u>
TOTAL REVENUE	<u>187,702</u>	<u>187,702</u>	<u>177,657</u>	<u>(10,045)</u>
EXPENDITURES:				
Election				
Election board salaries	1,230	1,230	-	1,230
Election supplies	1,270	1,270	790	480
Total Election	<u>2,500</u>	<u>2,500</u>	<u>790</u>	<u>1,710</u>
Administration:				
Salaries-Elected officials	24,328	24,328	13,107	11,221
Employee benefits	5,419	5,444	1,003	4,441
Printing and supplies	2,000	2,200	1,150	1,050
Accounting and audit fees	2,600	2,600	2,466	134
Contracted services	3,000	3,000	1,346	1,654
Insurance and bonds	8,000	8,000	3,956	4,044
Legal fees	1,500	1,500	241	1,259
Telephone	600	600	511	89
Publishing of legal notices	500	800	642	158
Miscellaneous	2,000	5,000	4,928	72
Membership dues	850	850	841	9
Conferences and workshops	300	300	340	(40)
Total administration	<u>51,097</u>	<u>54,622</u>	<u>30,531</u>	<u>24,091</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES: (CONTINUED)				
Buildings and grounds:				
Salaries	7,000	7,000	3,751	3,249
Employee benefits	2,000	2,000	1,170	830
Contracted services	1,500	1,500		1,500
Utilities	4,300	4,300	3,430	870
Repairs and maintenance	700	1,200	1,383	(183)
Miscellaneous	1,000	1,000	626	374
Insurance	1,000	1,000	317	683
Supplies	1,000	1,000	814	186
Total buildings and grounds	<u>18,500</u>	<u>19,000</u>	<u>11,492</u>	<u>7,508</u>
Public safety:				
Fire department	4,853	4,853	4,853	-
Police department	25,462	25,462	25,462	-
Total public safety	<u>30,315</u>	<u>30,315</u>	<u>30,315</u>	<u>-</u>
Public works department:				
Salaries	7,500	10,445	10,401	44
Employee benefits	4,000	6,000	3,245	2,755
Street lighting	15,000	15,000	12,931	2,069
Equipment rental	7,400	7,950	8,113	(163)
Christmas decorations	500	500	-	500
Contracted services	3,000	3,000	2,233	767
Parking lot maintenance	14,500	14,500	14,500	-
Tools and supplies	5,000	5,000	329	4,671
Miscellaneous	6,100	6,100	782	5,318
Total public works department	<u>63,000</u>	<u>68,495</u>	<u>52,532</u>	<u>15,963</u>
Park department:				
Salaries	9,000	9,000	5,067	3,933
Employee benefits	4,000	4,000	1,581	2,419
Utilities	1,500	2,951	2,457	494
Repairs and maintenance	500	500	65	435
Equipment rental	10,000	13,300	13,125	175
Insurance	300	300	19	282
Materials and supplies	7,200	10,400	7,705	2,695
Total park department	<u>32,500</u>	<u>40,451</u>	<u>30,020</u>	<u>10,431</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES: (CONTINUED)				
Sanitation:				
Contracted services-garbage	<u>21,000</u>	<u>21,000</u>	<u>20,825</u>	<u>175</u>
Capital outlay:				
Administration	3,000	3,000	-	3,000
Buildings and grounds	15,000	15,000	200	14,800
Public works	750	750		750
Park department	<u>1,000</u>	<u>1,500</u>	<u>895</u>	<u>805</u>
Total capital outlay	<u>19,750</u>	<u>20,250</u>	<u>895</u>	<u>19,355</u>
TOTAL EXPENDITURES	<u>238,682</u>	<u>256,633</u>	<u>177,400</u>	<u>79,233</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(50,960)</u>	<u>(68,931)</u>	<u>256</u>	<u>69,187</u>
FUND BALANCE - APRIL 1	130,267	130,267	130,267	
FUND BALANCE - MARCH 31	<u>\$ 79,307</u>	<u>\$ 61,336</u>	<u>\$ 130,523</u>	<u>\$ 69,187</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - MAJOR STREET FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental:				
County - Road improvement	\$ 6,200	\$ 6,200	\$ 6,231	\$ 31
Gas and weight tax	31,000	31,000	29,397	(1,603)
Miscellaneous:				
Interest income	7,000	7,000	10,921	3,921
Miscellaneous	200	200	-	(200)
TOTAL REVENUE	<u>44,400</u>	<u>44,400</u>	<u>46,549</u>	<u>2,149</u>
EXPENDITURES:				
Construction	1,525	1,525	45	1,480
Routine maintenance	5,500	8,500	7,539	961
Traffic services	1,050	1,450	983	487
Winter maintenance	2,800	6,700	4,071	2,629
Administrative	1,870	2,076	1,942	134
TOTAL EXPENDITURES	<u>12,745</u>	<u>20,251</u>	<u>14,560</u>	<u>5,691</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>31,655</u>	<u>24,149</u>	<u>31,988</u>	<u>7,839</u>
OTHER FINANCING (USES):				
Operating transfers out	(9,675)	(9,675)	(7,349)	2,326
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	<u>21,980</u>	<u>14,474</u>	<u>24,639</u>	<u>10,165</u>
FUND BALANCE - APRIL 1	278,820	278,820	278,820	
FUND BALANCE - MARCH 31	<u>\$ 300,800</u>	<u>\$293,294</u>	<u>\$303,459</u>	<u>\$ 10,165</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - LOCAL STREET FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 9,800	\$ 9,800	\$ 9,571	\$ (229)
Voted bridge tax	2,800	3,100	3,100	(0)
Miscellaneous:				
Interest income	<u>2,500</u>	<u>2,500</u>	<u>4,946</u>	<u>2,446</u>
TOTAL REVENUE	<u>15,100</u>	<u>15,400</u>	<u>17,617</u>	<u>2,217</u>
EXPENDITURES:				
Construction	1,500	1,500	67	1,433
Routine maintenance	6,500	7,800	6,499	1,301
Traffic services	350	450	663	(213)
Winter maintenance	3,250	6,350	3,928	2,422
Administrative	<u>950</u>	<u>1,050</u>	<u>825</u>	<u>225</u>
TOTAL EXPENDITURES	<u>12,550</u>	<u>17,150</u>	<u>11,981</u>	<u>5,169</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,550</u>	<u>(1,750)</u>	<u>5,636</u>	<u>7,386</u>
OTHER FINANCING SOURCES:				
Operating transfers in	9,675	9,675	7,349	(2,326)
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>12,225</u>	<u>7,925</u>	<u>12,986</u>	<u>5,060</u>
FUND BALANCE - APRIL 1	124,868	124,868	124,868	
FUND BALANCE - MARCH 31	<u>\$ 137,093</u>	<u>\$ 132,793</u>	<u>\$ 137,854</u>	<u>\$ 5,060</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Protection				
Police protection	\$ 36,923	\$ 36,923	\$ 36,923	
Fines and fees	<u>3,000</u>	<u>3,000</u>	<u>3,554</u>	\$ 554
Total protection	<u>39,923</u>	<u>39,923</u>	<u>40,477</u>	<u>554</u>
Miscellaneous:				
Miscellaneous income	-	-	1,125	1,125
Interest earnings	<u>-</u>	<u>-</u>	<u>820</u>	<u>820</u>
Total miscellaneous			1,945	1,945
TOTAL REVENUE	<u>39,923</u>	<u>39,923</u>	<u>42,422</u>	<u>2,499</u>
EXPENDITURES:				
Salaries and wages	23,093	23,893	24,740	(847)
Employee benefits	2,460	3,062	3,792	(730)
Office supplies	850	1,450	1,271	179
Administrative fees	200	200	192	8
Education and training	250	250	45	205
Gas and oil	2,800	2,800	2,427	373
Professional fees	400	400	414	(14)
Insurance	3,700	3,700	2,160	1,541
Utilities	600	1,180	1,028	152
Police car maintenance	400	400	197	203
Uniforms	400	400	294	106
Miscellaneous	800	1,770	717	1,053
Capital outlay	<u>970</u>	<u>1,720</u>	<u>1,720</u>	<u>-</u>
TOTAL EXPENDITURES	<u>36,923</u>	<u>41,225</u>	<u>38,997</u>	<u>2,228</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>3,000</u>	<u>(1,302)</u>	<u>3,425</u>	<u>4,727</u>
FUND BALANCE - APRIL 1	10,219	10,219	10,219	
FUND BALANCE - MARCH 31	<u>\$ 13,219</u>	<u>\$ 8,917</u>	<u>\$ 13,644</u>	<u>\$ 4,727</u>

VILLAGE OF AKRON, MICHIGAN

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - FIRE FUND FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Fire runs and protection	\$ 36,361	\$ 36,361	\$ 46,525	\$ 10,164
Miscellaneous:				
Miscellaneous income	-	-	1,259	1,259
Interest income	-	-	1,942	1,942
Total Miscellaneous			3,202	3,202
TOTAL REVENUE	<u>36,361</u>	<u>36,361</u>	<u>49,727</u>	<u>13,366</u>
EXPENDITURES:				
Firemen's pay	11,500	11,500	10,248	1,252
Employee benefits	800	800	784	16
Supplies	2,000	3,300	5,109	(1,809)
Professional fees	800	800	852	(52)
Education and training	1,000	1,000	1,180	(180)
Gas and oil	1,800	1,800	1,879	(79)
Insurance	3,500	4,600	3,950	650
Utilities	1,200	1,200	870	330
Repairs and maintenance	8,000	8,000	5,701	2,300
Miscellaneous	600	600	253	347
Memberships and dues	150	150	125	25
Capital outlay	30,000	30,000	26,853	3,147
TOTAL EXPENDITURES	<u>61,350</u>	<u>63,750</u>	<u>57,803</u>	<u>5,947</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(24,989)</u>	<u>(27,389)</u>	<u>(8,077)</u>	<u>19,312</u>
FUND BALANCE - APRIL 1	67,825	67,825	67,825	
FUND BALANCE - MARCH 31	<u>\$ 42,836</u>	<u>\$ 40,436</u>	<u>\$ 59,748</u>	<u>\$ 19,312</u>



WEINLANDER FITZHUGH

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August 25, 2008

Council Members
Village of Akron
Tuscola County, Michigan

In planning and performing our audit of the financial statements of the Village of Akron as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards, we considered the Village of Akron's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Akron's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Akron's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Akron's financial statements that is more than inconsequential will not be prevented or detected by the Village of Akron's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Akron's internal control. We believe that the following deficiencies constitute material weaknesses.

Segregation of Duties

One of the strongest controls in an internal control system is known as "segregation of duties". This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting area acts as a check and balance.

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WEINLANDER FITZHUGH

Council Members
Village of Akron
August 25, 2008
Page 2

As is common in many small municipalities, there are often only a few people, sometimes only one person, performing the accounting and financial functions. And it is also common to have these individuals concentrate their efforts in one area. While this is usually more efficient, it lends to a weakened internal control system. There are generally insufficient checks and balances in place.

This is the situation with the Village of Akron. Due to a limited staff size, the Village of Akron has a lack of segregation of duties with respect to the cash receipt accounting functions because the duties are centralized with two individuals.

Safeguarding of Assets

Another important control in an internal control system is the "safeguarding of assets". This means there is a secure location for all assets within the organization to prevent misappropriation of assets.

Due to a limited staff size and convenience, the Treasurer has all tax payments mailed directly to her home where she records the collection and performs the bank deposit. Having the payments mailed directly to her home limits the ability of the Village to establish compensating controls over the tax collection process.

The above comments are not intended to reflect on the performance or capability of any employee.

This communication is intended solely for the information and use of management, and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh